

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 MC-02 ACDA-19 CIAE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 IO-14 OMB-01 EB-11 COME-00 DRC-01 AID-20

NEA-10 AF-10 IGA-02 TRSE-00 /182 W
----- 070999

R 240315Z NOV 73

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 9679

INFO SECDEF (ISA)

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 SINGAPORE 4529

CINCPAC FOR POLAD

E.O. 11652: GDS: 31 DEC 79

TAGS: MARR, SN

SUBJ: INTEREST OF MINISTER OF DEFENCE IN EXPANDED SINGAPORE/
LOCKHEED A4 PROGRAM

REF A. SINGAPORE 4326

B. USDAO SINGAPORE IR NO. 6 887 0145 73

1. SUMMARY. RECENT DISCUSSION INDICATES SUPPORT AND INTEREST AT HIGHEST LEVELS GOS (MINISTER OF DEFENCE) IN EXPANDING SCOPE OF SINGAPORE/LOCKHEED AIRCRAFT PRODUCTION WITH EMPHASIS ON EXPANSION PRESENT A4 PROGRAM, INCLUDING THIRD COUNTRY SALES (REPORTED REFTEL). BOTH GOS AND LOCKHEED APPEAR TO BE PUSHING THIS PROPOSAL FOR THEIR OWN PURPOSES. ALTHOUGH PROPOSAL HAS SOME BENEFITS FOR USG, IT WILL HAVE TO BE MOST CAREFULLY HANDLED IF ADVERSE POLITICAL CONSEQUENCES ARE TO BE AVOIDED. FULL ACCEPTANCE AND UNDERSTANDING STATED BY MINISTER CONCERNING U.S. CONSTRAINTS ON THIRD COUNTRY SALES. END SUMMARY.

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2. DURING VISIT/ NOVEMBER 19 / BY RADM GERHARD, USN (OP-63),

MINDEF DIR LOGISTICS ONG ARRANGED IMPROMPTU COURTESY CALL ON MINISTER GOH. ONG BRIEFED GERHARD ON PROPOSED EXPENSION A4 PROGRAM, INCLUDING THIRD COUNTRY SALES (REPORTED REFTEL). ALTHOUGH DAO UNDERSTANDS PROPOSAL INITIATED LARGELY AT ONG'S INSTIGATION, PRESIDENT OF LOCKHEED AIR SERVICES THUM, WHO ALSO VISITED SINGAPORE THIS WEEK, MET SEPARATELY WITH DEFENCE MINISTER GOH AND DISCUSSED PROPOSED EXPANSION A4 PROGRAM WHICH HAD BEEN WORKED UP BY ONG AND THUM. ALTHOUGH GERHARD CALL ARRANGED AND ORCHESTRATED BY ONG, IT WAS OBVIOUS THAT GOH AND PERMSEC PANG, WHO ALSO PRESENT, WERE FULLY FAMILIAR WITH AND SUPPORTED ONG/THUM PROPOSAL.

3. DURING OPENING DISCUSSION OF SINGAPORE PRODUCTION JAGUAR CLASS GUNBOATS, GOH EMPHASIZED THAT GOS WAS EXTREMELY CAREFUL TO AVOID SELLING MILITARY HARDWARE UNDER ANY CONDITIONS THAT COULD RESULT IN THAT HARDWARE FALLING INTO HANDS NOT PRO-WESTERN ORIENTED. SUBSTANCE OF THIS POINT WAS REITERATED SEVERAL TIMES DURING SUBSEQUENT A4 DISCUSSION IN WHICH GOH EXPRESSED FULL UNDERSTANDING OF USG CONTROL/APPROVAL OF ANY THIRD COUNTRY SALES.

4. PAUSING FOR GOH TO INDICATE APPROVAL AT APPROPRIATE INTERVALS, ONG THEN PROCEEDED TO MAKE FOLLOWING POINTS:

A. GOS GENERALLY WELL PLEASED WITH LOCKHEED AND USN PERFORMANCE ON A4S PROGRAM.

B. GOS HAS DECIDED TO PURCHASE ADDITIONAL SIX A/C FOR LOCKHEED PRODUCTION OF THREE TRAINER VERSIONS (PREVIOUSLY REPORTED UNDER CONSIDERATION BY DAO).

C. GOS EXAMINING POSSIBILITY OF EXPANDING SEDEWINDER WEAPONS PURCHASE IN ORDER ALSO EQUIP/RECONFIGURE HUNTERS WITH THIS WEAPON (SEE REF B).

D. GOS INTERESTED IN PURCHASING J65 ENGINE OVERHAUL FACILITY (PREVIOUSLY REPORTED BY DAO).

E. GOS PLANS TO PROCEED WITH PLANS AND NEGOTIATIONS
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TO PURCHASE ADDITIONAL A4 AIRCRAFT MAINTAIN LASS A4 PRODUCTION LINE AND IN CONJUNCTION WITH LOCKHEED, TO MARKET REFURBISHED A4 AIRCRAFT TO THIRD COUNTRIES, AS INDIVIDUALLY APPROVED BY USG. NUMBERS OF ADDITIONAL A/C NOT FIRMLY IN MIND, BUT ONG OPTIMISTICALLY HOPES FOR EVENTUAL SALE OF ABOUT 100.

5. GOH INDICATED UNDERSTANDING OF GERHARD'S RESPONSE THAT NO PREDICTION OF USG APPROVAL POSSIBLE UNTIL SPECIFICS OF ABOVE PLANS PRESENTED. NO REFERENCE WAS MADE DURING DISCUSSION TO ISSUE OF DIRECTED PROCUREMENT.

6. FOLLOWING IS TEXT OF PROVISIONAL MEMO OF UNDERSTANDING
(UNESSENTIAL WORDS OMITTED) SIGNED BY C.M. SCHNEPP, FOR

DIRECTOR OF LASS, AND PRESENTED TO GOS OCTOBER 26,
BEGIN TEXT: GOVERNMENT OF SINGAPORE (GOS) AND LOCKHEED
AIRCRAFT SERVICES SINGAPORE PVT. LTD. (LASS) ARE DESIROUS OF
ENTERING INTO AGREEMENT TO ESTABLISH ARRANGEMENT WHEREBY TWO
PARTIES SHALL PROVIDE OVERHAUL/MODIFIED A4 AIRCRAFT TO A
WORLDWIDE MARKET.

ONE OF PRIME OBJECTIVES OF PROGRAM SHALL BE FURTHER DEVELOPMENT
OF SINGAPORE' AEROSPACE CAPABILITY AND DEVELOPMENT OF LASS
WORK LOAD TO DECREASE LASS COSTS AND INCREASE ITS COMPETITIVE
POSITION IN REGIONAL MARKET.

TO EFFECT SUCH AGREEMENT FOLLOWING GENERAL AND PRELIMINARY
CONDITIONS VISUALIZED AS ESSENTIAL TO AND ACCEPTABLE BY GOS
AND LASS.

GOS SHALL:

A. PURCHASE SUBSTANTIAL QUANTITY OF SURPLUS A4B/C AIRCRAFT
FROM USG;

B. LEAVE AIRCRAFT IN STORAGE AT DAVIS MONTHAN AFB OR ELSEWHERE
IN US (DRY CLIMATE);

C. AAM CONTRACT WITH LASS FOR OVERHAUL/MODIFICATION OF FIRST
LOT OF AIRCRAFT (PERHAPS 10 TO 20);

D. MAKE BALANCE OF AIRCRAFT AVAILABLE TO LASS FOR NEW
CUSTOMERS:

E. AGREE TO SELL AIRCRAFT ONLY TO COUNTRIES APPROVED BY
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USG AND TO ANY COUNTRY SUGGESTED BY USG;

F. ASSIST AND SUPPORT LASS IN MARKETING EFFORT;

G. PROVIDE FINANCING ON REASONABLE BUSINESS BASIS TO
PROSPECTIVE CUSTOMERS.

LASS SHALL:

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INFO OCT-01 ISO-00 MC-02 ACDA-19 CIAE-00 PM-07 H-03 INR-10

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NEA-10 AF-10 IGA-02 TRSE-00 /182 W

----- 071785

R 240315Z NOV 73

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 9680

INFO SECDEF (ISA)

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

CINCPAC

C O N F I D E N T I A L FINAL SECTION OF 2 SINGAPORE 4529

CINCPAC FOR POLAD

A. OVERHAUL AND MODIFY ALL A4 AIRCRAFT PURCHASED BY GOS
AGAINST FIRM ORDERS:

B. CONDUCT WORLDWIDE MARKETING EFFORT;

C. PROVIDE ENGINEERING SERVICES FOR SPECIAL CUSTOMER
REQUIREMENTS;

D. CONDUCT SITE SURVEY FOR PROSPECTIVE CUSTOMERS;

E. PROVIDE FLIGHT/MAINTENANCE TRAINING PROGRAM IN
SINGAPORE OR US;

F. PROVIDE LONG RANGE LOGISTICS SUPPORT;

G. PROVIDE CUSTOMER IN-COUNTRY TECHNICAL SUPPORT AND/OR
MARKETING AND TECHNICAL TRAINING;

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H. PERFORM ALL WORK POSSIBLE AND PURCHASE ALL SUITABLE
MATERIAL AND SERVICES AVAILABLE IN SINGAPORE;

I. NEGOTIATE WITH GOS PER AIRCRAFT FIXED ROYALTY PAYMENT

PLAN THAT WILL GIVE REASONABLE ASSURANCE OF ATTRACTIVE RETURN
ON GOS INVESTMENT IN PURCHASE OF SURPLUS AIRCRAFT;

J. ACCEPT INCENTIVE PRICING PLAN WHEREBY GOS/LASS WILL
SHARE IN INCOME ABOVE AN AGREED TO BASE PRICE (BASE PRICE MAY
VARY TO INDIVIDUAL CUSTOMER REQUIREMENTS);

K. ESTABLISH IN PRICING PLAN PROVISION FOR HIGHER
PERCENTAGE OF RETURN TO GOS DURING EARLY PHASE OF PROGRAM TO
RETURN INITIAL INVESTMENT AT EARLY DATE.

ALL OF FOREGOING IS PREMISED ON GOS AND LASS SECURING
AGREEMENT FROM USG THAT USG SHALL:

A. AGREE TO SALE OF AIRCRAFT TO GOS;

B. PERMIT STORAGE AT DAVIS MONTHAN AFB;

C. RESTRICT SALE OF ADDITIONAL A4 AIRCRAFT UNTIL AIRCRAFT
PURCHASED BY GOS HAVE BEEN SOLD;

D. IDENTIFY AND REFER PROSPECTIVE BUYERS TO GOS/LASS;

E. PROVIDE NORMAL FMS CASE SUPPORT TO GOS OR OTHER APPROVED
CUSTOMER COUNTRIES FOR AVAILABLE SPARE PARTS:

F. IF POSSIBLE, EXTEND TO PROSPECTIVE CUSTOMERS FINANCIAL
AID/LOAN CREDITS NORMALLY AVAILABLE FOR DIRECT US PURCHASE.

END TEXT.

7. EMBASSY UNDERSTANDS THAT ON BASIS OF INITIAL EXPLORATION
GOS/LOCKHEED TENTATIVELY CONSIDERING POSSIBLE SALES OF AIRCRAFT
TO TUNISIA, LEBANON, ISRAEL, SUDAN, OMAN AND THAILAND. GOS
ALSO CONSIDERING RESERVING APPROXIMATELY 20 AIRCRAFT FOR ITS OWN
AIR FORCE TO REPLACE AIRCRAFT LOST BY ATTRITION. (DAO BELIEVES
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20 IS LARGE NUMBER TO BE RESERVED FOR ATTRITION. THEREFORE IT IS
QUITE POSSIBLE GOS CONSIDERING DEVELOPING A THIRD A4 SQUADRON).

8. COMMENT: GOS IS PROBABLY PUSHING THIRD COUNTRY SALES
PROPOSAL BECAUSE IT SEES IT AS POSSIBLE WAY OF PROMOTING SINGAPORE
AS LEADER IN AEROSPACE TECHNOLOGY AND INDUSTRY IN SEA. LOCKHEED
UNDOUBTEDLY HOPES THIRD COUNTRY SALES PROGRAM WILL PROVIDE
ADDITIONAL WORK FOR LASS TO TAKE UP SOME SLACK WHEN DIRECTED
PROCUREMENT CEASES.

9. CONCEPT ITSELF APPEARS TECHNICALLY POSSIBLE AND CONTAINS CERTAIN ADVANTAGES FOR US. IT WOULD MEAN THAT AIR REPAIR FACILITY WOULD BE FULLY DEVELOPED IN SINGAPORE AND PROBABLY BECOME MORE COMPETITIVE OVER TIME. WE BELIEVE THAT THERE IS AT LEAST SOME STRATEGIC IMPORTANCE TO US IN KEEPING SUCH FACILITY IN THIS PART OF SEAS. IN ADDITION THERE IS IMPRESSIVE DOLLAR FLOW TO US WHICH SUCH A PROGRAM WOULD GENERATE. LOCKHEED ADVISED DAO IT ESTIMATES TOTAL \$288,000,000 WOULD BE GENERATED BY INITIAL SALE AND FOLLOW-ON SALE OF PARTS AND SERVICING OF 100 PLANES TO VARIOUS COUNTRIES. THIS MAY BE EXAGGERATED FIGURE, BUT NEVERTHELESS BALANCE OF PAYMENT FACTOR WOULD BE SIGNIFICANT.

10. ON NEGATIVE SIDE GOS/LOCKHEED PROPOSAL MAY RAISE LARGER POLITICAL QUESTION BEYOND PURVIEW OF THIS EMBASSY WHETHER US AT THIS TIME WISHES LOCKHEED AND GOS TO PEDDLE A4S TO NUMBER OF UNSPECIFIED COUNTRIES INCLUDING SEVERAL IN MIDDLE EAST. WITH RESPECT TO LOCAL PICTURE WE RUN RISK THAT IF US SELLS AND TRANSFERS TITLE TO GOS OF TOTAL OF 100 AIRCRAFT AT ONE TIME, EVEN THOUGH MOST OF THE AIRCRAFT WOULD BE STORED IN US, IT COULD HAVE FOLLOWING ADVERSE POLITICAL REPERCUSSIONS:

(A) MALAYSIA AND INDONESIA MIGHT BE SERIOUSLY ALARMED AT SUDDEN GOS ACQUISITION OF 100 ADDITIONAL ATTACK AIRCRAFT; AND

(B) IF AIRCRAFT SOLD TO GOS BEFORE IT HAD FIRM PROPOSALS FOR 3RD COUNTRY SALES, WHICH ALREADY APPROVED BY USG, EMBASSY AND DEPARTMENT WOULD BE UNDER STRONG PRESSURE FROM BOTH GOS AND PURCHASING COUNTRY TO GRANT MC LICENSE. BELIEVE THESE CONSEQUENCES COULD BE AVOIDED IF GOS ONLY GIVEN OPTION TO CONFIDENTIAL

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BUY TOTAL QUANTITY OF AIRCRAFT DISCUSSED, WITH TRANSFER OF TITLE TAKING PLACE ONLY AFTER EACH THIRD COUNTRY PURCHASE IS SPECIFICALLY APPROVED BY USG. BELIEVE DEPARTMENT SHOULD THOROUGHLY REVIEW THESE CONSIDERATIONS WITH LOCKHEED IN WASHINGTON. PLEASE ADVISE.
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Message Attributes

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